



San Juan Corp.

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E.P.A. Region 8
Attn: Sabrina Forrest

January 13, 2005

Dear Ms. Forrest:

Please find following seven pages on a proposed Targeted Brownfields Assessment that we wish to discuss further at the January 20, 2005 afternoon session of the Animas River Stakeholders group. Todd Bragdon of Tetra-Tech (303-382-8787) may call you to discuss the idea.

For San Juan Corp.,

Todd C. Hennis, Pres.



Proposed Gladstone Brownfields Assessment

Prepared by San Juan Corp.
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Background: San Juan Corp. owns the former townsite of Gladstone, Colorado, located in the Cement Creek valley of the Animas River watershed, San Juan County. The Gladstone townsite was located on the Herbert Placer patented claim, M.S. 13562 of 19.66 acres. Additional structures and dwellings were located on adjoining land held by Salem Minerals Inc. and Todd C. Hennis (sole owner of San Juan Corp. and Salem Minerals Inc.).

The townsite of Gladstone consisted of approx. 12 houses, a large boarding house of the Gold King Mill, another large boarding house, a school, a portion of the Gold King Mill, other structures, and the Silverton, Gladstone & Northern Railroad terminus.

San Juan Corp. acquired the Herbert Placer July 26, 2003. There exists the possibility that additional small parcels may be added as a small inholding transaction with the BLM, or that the Black Cat lode claim M.S. 17975 owned by Todd C. Hennis may qualify for inclusion.

Why is a Brownfields designation sought?

The townsite at Gladstone was impacted by the operations of the Gold King Mill in its early days. From the 1930s to the early 1950s, the Lead Carbonate Mill generated a large volume of tailings that were deposited on the Herbert Placer. These tailings were of gold-bearing lead-zinc ore, and the tailings were believed to contain mercury lost in the gold amalgamation process. In 1959, Standard Uranium Corp. re-activated and extended the American Tunnel to the Sunnyside Gold Mine, and created a substantial mine dump on the Herbert Placer.

Further operations of the Sunnyside Mine resulted in the remaining buildings of the town of Gladstone being torn down, and a large maintenance shop building (aka "the Quonset Hut") being built on one side of the main street of Gladstone, and four settling ponds of 2.1 million gallons capacity for mine water treatment being built on the other side of the main street.

The settling ponds are scheduled for removal in the spring of 2005. It is anticipated that all the 1.4 million gallons of water treatment plant sludges containing heavy metal precipitates will be transported off-site for disposal. However, the mined

amount of sale?

land reclamation activities are not anticipated to cover the leachate from these settling ponds.

Most of the American Tunnel dump and the Lead Carbonate Mill tailings were removed by Sunnyside Gold Corp. in the mid-1990s under the Consent Decree list of projects. The removal of the dumps and tailings did not deal with the underlying soils, which are believed to be affected by leachate and potential downward mercury migration, particularly from the tailings. It is believed that this leachate is also affecting water quality in the South Fork of Cement Creek, as both sites lie next to the stream.

Redevelopment plans for the Gladstone Townsite:

Gladstone is a designated economic re-development site by San Juan County, and the San Juan County government is desirous of economic development on the site to add to sales tax growth, employment opportunities in what is historically the highest unemployment area in Colorado, increased recreational opportunities, and to provide support facilities for the Silverton Mountain ski area. The re-development of Gladstone fits the overall desire of the San Juan county government to channel growth into the areas that have historically been townsites.

Salem Minerals Inc. has been identified as the firm that will handle the re-development of the Gladstone Townsite. Salem Minerals Inc. has extensive experience in environmental remediation and has expertise in the adaptive re-use of mining facilities and sites.

In order to limit long-term human exposure at the site, no individual residential development is planned, other than potential housing for employees in the future. The first phase of activity is currently planned to be a dual-use of creating an RV park and campground on both sides of the South Fork of Cement Creek. The RV park portion will be built as to allow the removal of above ground posts, hookups, etc. to allow the site to be used as a parking area in winter for recreational activities.

The proposed Targeted Brownfields Assessment will also assess potential other phase(s) of building on the site.

Scope of Assessment and potential contractor:

It is anticipated that the entire parcel will be sampled, characterized and a comprehensive risk assessment will be completed. This will include historical information gathering, development of cleanup and reuse plans, and identification of costs to complete the redevelopment.

Initial discussions have been conducted with Tetra-Tech, Inc. which is an E.P.A. Start Contract firm. Tetra-Tech conducted a brief site visit in the summer of 2004, and it is believed that Tetra-Tech has considerable core experience to conduct the assessment.

Public benefit of the work and potential sponsorship:

It is anticipated that the following clear and substantial benefits will accrue to the public –

1. Improvement in water quality from eliminating leachate runoff from the site into Cement Creek, and potential elimination of contaminated flows or channeling of contaminated flows into augmented wetlands.

2. Providing a recreational camping facility with laundry, showers and dump station that will reduce the burden on public lands and enhance the experience of people visiting the surrounding lands.
3. Allow economic development to occur in an area targeted and desired by San Juan County. The increase in tax base, economic activity, employment, and the quality of the visitor experience are substantial benefits.
4. The Targeted Brownfields Assessment would include that portion of County Road 110 that is built of mine dump material, and that San Juan County has expressed a desire in lowering the road surface by 15 feet for public safety reasons. The analysis of the material would allow a decision to be made of how to properly dispose of the material to be potentially removed in the future.
5. Potentially provide parking and other support facilities for Silverton Mountain in order to eliminate parking on County Road 110, facilitate permitting for Silverton Mountain by demonstrating adequate parking and potential for support facilities, thereby adding substantially to the economic activity in San Juan County.

Public entity support for the proposed Targeted Brownfields Assessment will be sought from the Animas River Stakeholders Group, San Juan County, and the Bureau of Land Management. A proposal will be made to the Animas River Stakeholders Group asking them to sponsor and administrate the potential Targeted Brownfields Assessment grant.



All images in series assumed to be circa 1908

- X 23 Overall view of Gladstone, showing the mills of both the Mogul (left) and Gold King (right). The scar on Bonita Peak in the background is for the Gold King Tram, connecting the mine to the mill at the foot of the mountain, with its boiler plant at the left end. The most identifiable structures in the mid-range are, from left to right, a private dwelling (with long veranda); the Mogul Mill, with tram terminal at the top; the Mogul assay office (darker building at base of mill); the Mogul boiler plant (with single stack); the Mogul transformer house (beyond the stack); the Mogul Mining & Milling Co. office (right of boxcars, on an old dump); the Gladstone School (pyramid roof and bell tower); the lower Gold King Boarding House (two-story); single-family dwellings lining a street; the upper Gold King Boarding House (with dormers); and the Gold King Mill. The post office and business buildings were obliterated by the lower boarding house, and were above the small houses, at an angle facing the Gold King Mill's front side. The unpainted dwellings in the foreground were private and not associated with the Gold King properties. Cement Creek flows away from the settlement in the foreground. The main line of the Silverton, Gladstone & Northerly Railroad runs between the Mogul Mill and its boiler plant at the left.
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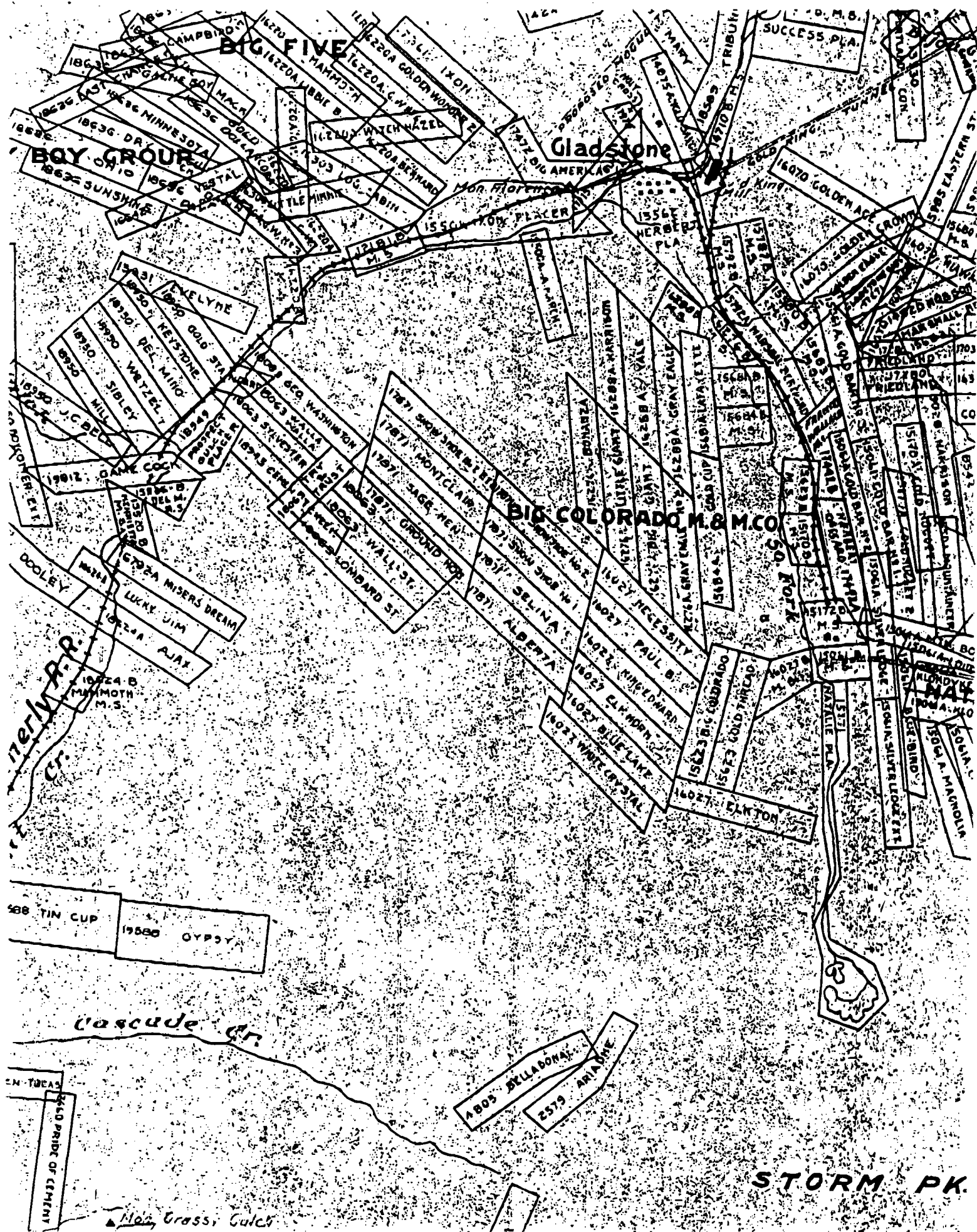




Photo 14: American Tunnel Tailings Removal Project